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## RULING IN BABY M CASE

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uch Contracts but Lets  
Couple Keep Custody

By ROBERT HANLEY  
Special to The New York Times

NEWTON, Feb. 3 — The New Jersey Supreme Court ruled today that surrogacy contracts were illegal but it allowed Melissa Elizabeth Stern, the mother of the Baby M case, to keep custody of the child with her father, William Stern, and his wife, Elizabeth. The 7-0 opinion overturned the ruling in the case last year by Judge Harvey R. Sorkow of the Appellate Division.

The ruling restored the parental rights of the baby's mother, Mary Beth Stern, meaning that she would have custody hearing. The court also threw out Judge Sorkow's decision to adopt the child, who is now 22 months old. The court restored Mrs. White's parental rights, they also said in a hearing to set the child with Melissa. She is now 2 years old. The court said the child is not to be used for the surrogate's financial gain, and is not to be used for the surrogate's financial gain.

Legislators say it is likely that the practice of surrogacy is also expected to be challenged by legislators.



Associated Press

## Kennedy Confirmed Unanimously for Supreme Court

Judge Anthony M. Kennedy acknowledging the applause of his law students in Sacramento, Calif., after being confirmed by the Senate, 97-0. The vote, ending a seven-month battle, was preceded by

speeches in which he was praised as "an advocate of judicial restraint," and, on the other hand, for his belief that "the Constitution is not a fossil frozen in the past, but a living document." Page A18.

## A U.S. Frame-Up of Nicaragua Charged

By STEPHEN ENGELBERG  
with ELAINE SCIALINO  
Special to The New York Times

WASHINGTON, Feb. 3 — A former senior Panamanian official said today that the White House set up a secret operation in 1986 that called for Panama to arrange an East bloc arms shipment that could then be captured in El Salvador and falsely linked to the Nicaraguan Government.

The Panamanian, José I. Blandón, is a former close adviser to Panama's military leader, Gen. Manuel Antonio Noriega. General Noriega is expected to be indicted on drug charges by a grand jury in Miami on Friday, Justice Department officials said.

Mr. Blandón said in a telephone interview that the deal was put together by Lieut. Col. Oliver L. North, the White House aide responsible for funneling aid to the contras during the period when the Administration was barred from providing military help to the rebels.

## Dismissed as Consul General

Mr. Blandón was recently dismissed by General Noriega as consul general in New York, and in an interview with a Panamanian radio station he called on the general and his military associates to resign.

Government officials said Mr. Blandón had told investigators that General Noriega struck a deal with Colonel North to train the contras in Panama in exchange for

Blandón said the arrangement "could be possible," but indicated he had no direct knowledge of it.

Mr. Blandón added, "North and Poindexter handled the contra operation like a dictatorship," referring to Rear Adm. John M. Poindexter, the former national security adviser. "If you supported the U.S. contras, you could do anything," he said.

Lawyers for Colonel North have said for the past year that they would not comment on any matters. One of them said tonight that there would be no comment on this or any other aspect of the case.

## A Relationship With Casey

An operation aimed at making it appear that Nicaragua was shipping arms to the Salvadoran guerrillas would have fulfilled the Reagan Administration's longstanding goal of proving the Sandinista Government was exporting its revolution. The effort collapsed in June 1986 when The New York Times published an article reporting illegal activities by General Noriega, Mr. Blandón said.

It was disclosed last year that General Noriega had told Colonel North that he was willing to mount sabotage and assassination operations against Nicaragua and that Colonel North had endorsed the idea of a sabotage plan. But Mr. Blandón's assertions suggest a deeper White House and Administration link to General Noriega.

Mr. Blandón also told investigators that General Noriega, who took power in 1981, had a close relationship

## Deer Continued Closing of Plutonium Reactor

By MATTHEW L. WALD

The largest Government plant that makes plutonium for nuclear bombs, closed and under intense scrutiny in recent months because of its resemblance to the Chernobyl reactor in the Soviet Union, will not be reopened, the Department of Energy has told some legislators on Capitol Hill.

But those who favor reopening the plant, the N Reactor on the Hanford Nuclear Reservation in Washington State, say that the Reagan Administration is divided on the issue and that no final decision has been made.

The reactor is at the heart of a nuclear fuel production chain that employs 6,400 workers on the Hanford reservation, nearly all of whom would presumably lose their jobs within months after a permanent shutdown.

## Now Closed 14 Months

The plant has been shut since December 1986 for what were initially intended to be six months of safety improvements. The supposedly temporary shutdown came eight months after the explosion at Chernobyl, which, like the Hanford N Reactor, used graphite to help control the flow of neutrons that sustain the chain reaction; the standard commercial design in this country employs water for that purpose.

The N Reactor was opened in 1963 with a dedication ceremony, presided over by President Kennedy, that featured a mock atomic explosion. It was designed for 20 years of operation and now, according to several Government studies, shows dangerous signs of aging.

Among the plant's problems is that radiation has caused the graphite blocks to swell, until they threaten to push on the roof. Metal pipes that contain the fuel also show signs of fatigue that could lead to failure. The reactor also lacks a system for purging potentially explosive hydrogen gas, and, beyond all this, it is designed to dump radioactive water into dirt outside the building in certain emergencies.

## Shift at Energy Department

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## Panamanian Says White House Set Up Secret Nicaragua Frame- up

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with William J. Casey, who was Director of Central Intelligence, and once flew in the plane of a drug smuggler to Washington in 1983 to confer with him. It was not known if Mr. Casey knew of the plan to embarrass the Nicaraguan Government.

The new details about General Noriega's cooperation with one of the most sensitive foreign policy operations are significant because they could help explain why senior American officials were willing to cultivate a relationship with the military strongman, even as American intelligence was documenting charges of unsavory arms dealing and sales of banned technology to Cuba. Investigators from the Congressional Iran-contra committees examined in detail the arms shipment that Mr. Blandón said was to be falsely inked to the Nicaraguans and found no hint, in American Government documents, of such a plan.

It was unclear whether General Noriega, who has repeatedly accused the United States of trying to overthrow him to retain control of the Panama Canal, told Mr. Blandón of the reported operation in an attempt to discredit Colonel North or the Reagan Administration. A senior Latin American diplomat who believes the account said he understood that General Noriega seized the ship carrying the weapons because he felt "betrayed" by Reagan administration officials, who he

thought had provided derogatory information on him to The New York Times. State Department officials declined to comment when asked about the relationship between Panama and the contras.

Another reason for American Government support for General Noriega is that he has provided a "platform" for the National Security Agency's eavesdropping operations in the region, according to intelligence officials.

Mr. Blandón, who served as chief political adviser to General Noriega when he was head of military intelligence, has provided details of these and other reported illegal operations before the Federal grand jury in Miami that is expected to indict the general on drug charges.

Mr. Blandón is scheduled to testify next week before the Senate Foreign Relations Committee.

### Sealed Indictments

Government officials said Mr. Blandón had provided a wealth of information about corruption under General Noriega and his close military and civilian associates. While General Noriega's indictment will be made public, the indictment of his associates will remain sealed in the hope that some of them can be arrested and brought to trial.

Mr. Blandón's secret testimony to the grand jury and to Senate investigators, as described by the former consul general and Government officials, in-

## A former consul says an arms deal was arranged by North.

cludes these disclosures:

General Noriega maintained a close personal relationship with Mr. Casey, who died last year. "Noriega definitely said he had the support of Casey," Mr. Blandón said. He said that on one occasion, General Noriega flew to Washington on the private jet owned by a convicted drug dealer, Stephen M. Kalish, for a secret meeting with Mr. Casey. Mr. Kalish testified before Congress last week that General Noriega borrowed the jet in November 1983.

A former intelligence official said that after Admiral Poindexter sternly told General Noriega to change his ways in 1986, Mr. Casey followed up with a more conciliatory approach that undercut the admiral's message.

The Salvadoran rebels asked General Noriega in late 1987 to help them buy sophisticated weapons, including American-made Stinger antiaircraft missiles. General Noriega agreed to help and later contacted Ricardo Wheelock, a Sandinista intelligence official. Mr. Blandón said he was later told the weapons had been delivered, although he said he did not know for certain whether the shipment included Stingers or some lesser weapons.

### One Veiled Reference

The Congressional Iran-contra committees looked into the relationship between General Noriega and Colonel North, but their report contained only one veiled reference to the general. It said that an unidentified Latin American leader had offered to help with operations aimed at the contras.

Congressional and Administration officials disclosed that in fact General Noriega had told Colonel North that he was willing to undertake sabotage operations and possibly assassinations against Nicaragua. Admiral Poindexter warned Colonel North to stay away from any assassinations, but he approved the sabotage idea. The plan never went forward because the Iran-contra affair became public and Colonel North was dismissed.

The effort to ship a large quantity of East German-made arms and vehicles to the Salvadoran guerrillas also failed, and it resulted in a series of confusing stories about the travels of a Danish

cargo ship carrying the STATE  
Vesta

Mr. Blandón said he learned of the operation from General Noriega. The New York Times article about General Noriega was published June 12, 1986, and the ship carrying weapons was seized by Panama officials two days later.

According to Congressional officials, the shipment was arranged by a St. Louis arms broker who has ties to the French foreign security service. General Noriega's notebooks do not contain a direct reference to the plan.

The cargo ship passed through the Panama Canal on June 6, 1986, remained there for a few hours, then steamed northward to Panama. When the ship was seized, bills of lading instructions were for weapons to be delivered to Gen. Adolfo Blandón, Chief of Staff of El Salvador's armed forces. The general is now in exile in Costa Rica.

### List for Grand Jury

Mr. Blandón said in the telephone interview that he had revealed to the grand jury the names of General Noriega's top military and civilian associates. Like the Panamanian leader, he said, the associates were involved in drug trafficking, money-laundering and other illegal activities. He said he did not know if the grand jury intended to indict any or all of them. The list of names was published in Panama today in the newly reopened daily, La Prensa.

The associates include Marcos Justines, chief of the General Staff of the Panamanian Defense Forces and second in command to General Noriega; Mayor Nivaldo Madridán, head of the investigative police and one of the officials closest to General Noriega; Luis Córdoba, head of the traffic police and former chief of Chiriqui Province, who opposition leaders believe was responsible for the beheading of the opposition leader Dr. Hugo Spadafora in 1985; Alberto Purcell, executive secretary of the General Command of the Defense Forces, and Lorenzo Purcell, head of the Panamanian Air Force.

### Business Fronts Are Named

Mr. Blandón also listed a number of civilians who he said were involved in illegal activities, including the late César Rodríguez, who was murdered in Colombia, and Enrique Pretel, a well-known jeweler in Panama City.

Under a 1904 extradition treaty between the United States and Panama, neither country is required to hand over its citizens for extradition, so the indictments against General Noriega and his associates could result in arrests only if they are out of the country.

## Indians Assail Managua Talks

Special to The New York Times

MIAMI, Feb. 3 — Three Miskito Indian leaders, adopting a hard line against the Sandinistas, have strongly criticized peace talks conducted with the Managua Government by Brooklyn Rivera, a Nicaraguan Indian leader.

The three are Stedman Fagoth, director of the Miskito group called the National Council, and his two colleagues, Wyffe Diego and Osorno Coleman. Mr. Fagoth called Mr. Rivera a "comrade" and a "leader" but said the three "do not believe in any negotiations" with the Sandinistas.

The three leaders appeared at a news conference here Tuesday at the headquarters of the Nicaraguan resistance, the political organization he anti-Sandinista insurgents.

Mr. Fagoth said the timing of Mr. Rivera's discussions with Managua was unfortunate because it provided oxygen to the Sandinistas and affected ad-

versely the credibility" of those who oppose such talks.

Mr. Rivera, who heads a nine-member Indian delegation, has been conducting peace talks with Interior Minister Tomás Borge for more than a week in Managua.

Mr. Fagoth said he and his dissenting colleagues would meet with Mr. Rivera soon on the Nicaraguan-Honduran border to discuss the Miskito movement.

He said that the Miskito-Sandinista talks had caused a crisis in the Indian organization and that their timing, on the eve of the Congressional vote on aid to the contras, was helping the Sandinistas.

Mr. Coleman, a commander of the Miskito guerrillas, said there had been military actions against the Sandinistas in the Atlantic coastal areas recently, but he did not provide details.